

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7093

BILL NUMBER: SB 270

NOTE PREPARED: Jan 4, 2007

BILL AMENDED:

SUBJECT: Flexible Fuel Vehicle Incentives.

FIRST AUTHOR: Sen. Heinold

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a 30% refund to a political subdivision for gasoline taxes paid on E85 that the political subdivision purchases for use in a motor vehicle owned by the political subdivision.

Effective Date: January 1, 2008.

Explanation of State Expenditures: This bill provides a 30% refund on gasoline taxes paid by local units of government and school corporations for E85 fuel. The Special Tax Division of the Department of State Revenue administers the collection of gasoline taxes. Potential additional expenditures associated with administering the refund to local units of government and school corporations may be significant, but are undetermined at this time.

Explanation of State Revenues: *Summary:* A preliminary estimate of the total revenue reduction from the E85 refund is estimated to be less than \$1,000 annually. The impact is anticipated to grow in future years as E85 usage grows. Gasoline taxes are distributed to the Motor Vehicle Highway Account (MVHA), the Local Road and Street Account (LR&S), the Primary Road and Street Account (PR&SA), the State Highway Road Construction and Improvement Fund, the State Highway Fund, and directly to cities, towns, and counties.

Background Information: E85 is the term for motor fuel blends of up to 85% ethanol and 15% gasoline. E85 is an alternative fuel as defined by the U.S. Department of Energy, and the ethanol component is made from corn.

The gasoline tax is \$0.18 per gallon. Based on grant data obtained from the Indiana Office of Energy and Defense Development for three quarters of CY 2006 and extrapolated to a full year, current annual sales of biofuels are estimated to be approximately 577,000 gallons. Biofuels include both E85 as well as B20,

biodiesel. The percentage that E85 sales represent of total biofuel sales and the share of E85 sales made to political subdivisions are unknown at this time, but are likely to represent a very small percentage. Further, applying a 30% refund on the gasoline tax paid by local units and school corporations results in an estimated revenue reduction of less than \$1,000.

The MVHA supports the Bureau of Motor Vehicles totally, approximately 48% of the State Police budget, much of the Indiana Department of Transportation (INDOT) budget, the Motor Fuel Tax Division of the Department of State Revenue, and local units of government.

The State Highway Fund and the PR&SA support INDOT, and the LR&S supports local units of government. The State Highway Road Construction and Improvement Fund is used for bonding.

Explanation of Local Expenditures: Reduced fuel expenditures to local units and school corporations would be equivalent to the aggregate Gasoline Tax revenue reduction described above, estimated to be less than \$1,000 annually.

Explanation of Local Revenues: Cities, towns, and counties receive a one cent per gallon distribution directly from the Gasoline Tax, as well as distributions from the MVHA and the LR&S. The reduction in total distributions to local units due to this refund are likely to be minimal.

State Agencies Affected: INDOT; State Police; Bureau of Motor Vehicles; Department of Revenue.

Local Agencies Affected: Local units; School corporations.

Information Sources:

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